

1002415491

M E R I T  
"BREAKTHROUGH... THE  
BEGINNING OF ACHIEVEMENT"

PRESENTED BY  
WILLIAM K. CUTLER  
PHILIP MORRIS U.S.A.

AT  
AMERICAN ADVERTISING FEDERATION  
MEETING  
ST. LOUIS, MO

OCTOBER 19, 1979

1002415492

THIS IS MERIT...A BREAKTHROUGH PRODUCT, IN EVERY

SENSE OF THE WORD. MERIT WAS INTRODUCED IN

JANUARY, 1976, AND IN JUST THREE MONTHS ITS SALES

EXCEEDED THOSE OF 80 ESTABLISHED BRANDS, TO

BECOME ONE OF THE TOP 20 BRANDS IN THE COUNTRY.

BY THE 4TH QUARTER OF 1976...MERIT HAD MOVED UP TO

13TH POSITION AMONG THE 170 BRANDS AND PACKINGS ON

THE MARKET.

TOTAL SALES FOR MERIT AT THE END OF ITS FIRST YEAR

WERE AN UNPRECEDENTED 8½ BILLION UNITS -- REPRESENTING

MORE THAN \$100 MILLION IN COMPANY SALES.

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IN TOTAL, MERIT, IN ITS FIRST YEAR PROVED TO BE THE MOST SUCCESSFUL NEW CIGARETTE INTRODUCTION IN THE LAST 20 YEARS.

IN 1977, MERIT 100'S WERE INTRODUCED WITH EQUAL SUCCESS.

TOTAL SALES FOR YEAR TWO WERE OVER 14 BILLION UNITS,

AN INCREASE OF ALMOST 6 BILLION UNITS. THAT INCREASE

WAS THE GREATEST IN THE INDUSTRY AND ACTUALLY LARGER

THAN THE INCREASE FOR THE TOP 10 BRANDS COMBINED.

IN 1978, "THE MERIT SURGE" CONTINUED. VOLUME TOTALLED

OVER 17.7 BILLION, AN INCREASE OF  $3\frac{1}{2}$  BILLION OR OVER 24%.

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THERE WAS NO SLOWDOWN IN 1979. IN FACT, MERIT SALES WERE BOOMING. MERIT VOLUME WAS UP 30% VERSUS 1978. TODAY, MERIT IS THE EIGHTH LARGEST BRAND IN THE UNITED STATES WITH A TRACK RECORD THAT HAS THE TOP SEVEN LOOKING OVER THEIR SHOULDERS.

THIS SUCCESS IS PARTICULARLY SIGNIFICANT SINCE HISTORICALLY -- MOST NEW CIGARETTE BRANDS DON'T EVEN SURVIVE. LESS THAN 10% OF THE NEW BRANDS INTRODUCED SINCE 1962 ARE VIABLE TODAY.

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MERIT IS...A "BREAKTHROUGH" PRODUCT, YET, A

SALES WERE BOOMING  
MARKETING BREAKTHROUGH CANNOT BE ACHIEVED THROUGH  
MERITS 1910 JOURNAL

THE QUALITY AND INTEGRITY OF A SUPERIOR PRODUCT

ALONE.

IT TAKES MANY OTHER FORCES, WORKING IN CONCERT, TO  
ACHIEVE TRUE SUCCESS.

MERIT'S ACHIEVEMENT HAS SPECIAL IMPACT BECAUSE IT  
IS A BRAND THAT HAS REACHED AN OUTSTANDING LEVEL OF  
ACCOMPLISHMENT...WITHOUT THE PENETRATING POWER OF  
TELEVISION.

1002415496

JUST HOW DID THIS BREAKTHROUGH TAKE PLACE?

AND WHAT WERE THE STRATEGIES AND ELEMENTS THAT  
BUILT THE MERIT MOMENTUM SO FAST AND SO STRONG?

LET'S LOOK BACK IN TIME... AT THE CIGARETTE MARKET  
AND THE NEEDS AND PREFERENCES OF THAT MARKET.

THE YEAR, 1957, READER'S DIGEST PUBLISHED AN  
ARTICLE... ON FILTER SMOKING AND ITS IMPACT ON  
THE PUBLIC WAS SIGNIFICANT.

SALES OF FILTER CIGARETTES SOARED, AT THE ESPENSE  
OF OLDER NON-FILTER BRANDS.

1002415497

IN 1964, THE SURGEON GENERAL'S REPORT DIRECTED  
FURTHER ATTENTION TO THE VARIATION IN TAR LEVELS  
AMONG CIGARETTES. DURING THE PERIOD FOLLOWING,  
MEDICAL AND POLITICAL CRITICS CONTINUED THEIR  
ATTACKS ON THE TOBACCO INDUSTRY.

BY 1971, LISTING THE TAR AND NICOTINE CONTENT OF  
CIGARETTE PRODUCTS BECAME MANDATORY IN ALL CIGARETTE  
ADVERTISING.

WITH THE SALES OF LOWER TAR CIGARETTES INCREASING,  
CIGARETTE MANUFACTURERS BECAME MORE AND MORE AWARE OF  
THE GROWING POTENTIAL OF THIS CATEGORY.

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YET, OUR OWN RESEARCH AT THE TIME REVEALED SOMETHING  
OF SPECIAL SIGNIFICANCE. WE LEARNED THAT WHILE 9 OUT  
OF 10 SMOKERS HAD TRIED LOW TAR BRANDS, THE VAST  
MAJORITY OF TRIERS HAD REJECTED THEM.

THE REASON -- LOW TAR CIGARETTES SIMPLY COULD NOT  
MATCH THE FLAVOR OF THEIR HIGH TAR COUSINS.

TIME AND TIME AGAIN, LOW TAR CIGARETTES MADE FLAVOR  
PROMISES -- YET FAILED TO KEEP THEM.

TO SMOKERS -- LOW TAR INVARIABLY MEANT LOW TASTE.

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WITHIN THESE MARKETING DYNAMICS WE FIND A SINGLE  
CENTRAL POINT. THE MARKETPLACE CLEARLY DEMONSTRATED  
A DESIRE FOR LOW-TAR CIGARETTES WITH GOOD TASTE --  
BUT THERE WERE NONE AVAILABLE.

THIS VACUUM REPRESENTED A MARKETING OPPORTUNITY  
THAT ACCELERATED ACTIVITY THROUGHOUT THE INDUSTRY.

AT OUR RICHMOND, VIRGINIA, RESEARCH CENTER,  
SCIENTISTS HAD BEEN WORKING FOR YEARS ON A WAY TO  
BRIDGE THE GAP BETWEEN FLAVOR AND WHAT IS COMMONLY  
CALLED "TAR."

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IT WAS A MARKETING OPPORTUNITY ON WHICH PHILIP  
MORRIS HAD FOCUSED A GREAT DEAL OF ATTENTION.

WE KNEW THAT FILTERS HELPED REDUCE TAR. WE ALSO  
KNEW THAT FILTERS REDUCED FLAVOR.

THE ANSWER TO LOW-TAR AND FLAVOR HAD TO LIE, NOT IN  
THE FILTER, BUT IN THE TOBACCO ITSELF -- THE BUSINESS  
END OF SMOKING.

OUR RESEARCHERS ANALYZED THE COMPONENTS OF CIGARETTE  
SMOKE AND LEARNED THAT CERTAIN KEY FLAVOR INGREDIENTS  
DELIVER TASTE FAR OUT OF PROPORTION TO TAR.

1002415501

WE DISCOVERED THAT BY PACKING THESE NATURAL, FLAVOR-  
RICH INGREDIENTS INTO TOBACCO, WE COULD CREATE -- AN  
"ENRICHED FLAVOR" TOBACCO.

THIS TECHNOLOGICAL BREAKTHROUGH MEANT WE HAD  
- SUCCEEDED IN DEVELOPING A FLAVORING PROCESS THAT  
WOULD YIELD MORE TOBACCO TASTE PER MILLIGRAM OF TAR  
THAN ANY OTHER CIGARETTE.

R & D HAD PROVIDED US WITH A TECHNOLOGICAL BREAKTHROUGH,  
A PRODUCT WHICH IN PRELIMINARY TESTS SCORED  
SIGNIFICANTLY BETTER THAN ITS COMPETITORS.

1002415502

NOW. HOW DO WE ACHIEVE A BREAKTHROUGH IN THE  
MARKETPLACE? EVERY ELEMENT OF OUR PLAN HAD TO  
WORK IN CONCERT.

FIRST -- TO PROVIDE US WITH A PLATFORM FOR A  
COMPELLING LOW-TAR ADVERTISING CAMPAIGN, WE NEEDED  
STRONG "PROOF OF TASTE" PERFORMANCE RESULTS. THE  
OBJECTIVE -- TO ESTABLISH GENUINE CREDIBILITY TO  
OVERCOME SMOKER SKEPTICISM TOWARDS LOW-TAR, GOOD  
TASTE CLAIMS.

1002415503

USING HIGHER TAR CIGARETTES AS A TASTE MODEL --

MERIT WAS TASTE-TESTED BY THOUSANDS OF SMOKERS

ACROSS THE COUNTRY. THE FINDINGS WERE DRAMATIC

AND CONFIRMED OUR GREATEST EXPECTATIONS. RESULTS:

MERIT HAD AS MUCH, OR MORE, TASTE THAN CIGARETTES

HAVING UP TO 60% MORE TAR.

WITH THIS SOLID PROOF BEHIND US -- OUR NEXT CHALLENGE

WAS -- THE PRODUCT NAME AND PRODUCT PACKAGE...A NAME AND

PACKAGE WHICH HAD TO MATCH THE DISTINCTIVE ACHIEVEMENTS

AND PERSONALITY OF OUR PRODUCT.

1002415504

THE NAME WE SELECTED WAS "MERIT," SHORT, RIGHT TO

THE POINT, EASY TO REMEMBER -- AND IMPORTANTLY --

CONSUMER RESEARCH SHOWED US THAT MERIT REFLECTED

THE CONSUMER APPEAL OF GOOD TASTE AT LOW TAR.

UTILIZING OUR PAST EXPERIENCES WITH DESIGN AND COLOR,

WE CREATED A PACKAGE THAT CONVEYED TO CONSUMERS THE

SUBTLE FEELING OF LOW-TAR AND GOOD TASTE, A FEELING

OF QUALITY THAT WOULD ENCOURAGE CONSUMER TRIAL.

WE NOW HAD -- THE PRODUCT -- A NAME -- AND A PACKAGE TO

CONVEY THE BREAKTHROUGH IDEA. NEXT -- A MAJOR MARKETING

DECISION -- ONE THAT TOBACCO COMPANIES HAVE BEEN

CONFRONTED WITH SINCE 1971.

1002415505

HOW DO YOU INTRODUCE A NEW CIGARETTE BRAND TO  
CONSUMERS WITHOUT THE SATURATION POWER OF TELEVISION?

WE NEEDED SOMETHING SPECIAL, FOR THIS VERY SPECIAL  
BRAND, AND THE MARKETING OPPORTUNITY IT REPRESENTED.

OUR BASIC ADVERTISING GOALS WERE -- TO OVERCOME THE  
LOW INTEREST LEVEL IN CIGARETTE ADVERTISING, TO  
COMMUNICATE THE TECHNOLOGICAL BREAKTHROUGH MERIT  
REPRESENTED, AND TO REPORT THE IMPRESSIVE RESULTS  
OF OUR TASTE TESTS.

1002415506



THE STRATEGY WE USED WAS A BOLD, AGGRESSIVE ONE --

FEATURING HEADLINES AND ADS THAT HAD SCIENTIFIC

SUBSTANCE AND VALIDITY -- ADS THAT LOOKED IMPORTANT

AND IMPRESSIVE.

MERIT WAS REAL NEWS AND IT WAS IMPORTANT FOR ALL

OUR ADVERTISING IN NEWSPAPERS AND MAGAZINES TO SAY

JUST THAT. TO ACCOMPLISH THIS WE USED A JOURNALISTIC,

REPORTORIAL STYLE -- ONE WHICH AN EDITOR MIGHT USE

FOR A FRONT-PAGE STORY IN A MAJOR NEWSPAPER.

WE TESTED OUR ADVERTISING TO MEASURE ITS PERFORMANCE --

TO MAKE SURE -- ITS IMPACT REFLECTED THE PRODUCT

BREAKTHROUGH IN ITS PROPER MAGNITUDE.

1002415507

WE FINE-TUNED IT UNTIL WE WERE SURE IT WAS EXACTLY

RIGHT...PRECISE, POINTED AND PENETRATING.

AND IMPORTANTLY, IT HAD TO BE ABSOLUTELY BELIEVABLE.

THE FALSE CLAIMS OF PAST YEARS AND PAST BRANDS

PRESENTED ROAD-BLOCKS TO OUR CREDIBILITY.

WITH OUR BASIC GRAPHIC APPROACH ESTABLISHED -- WE

HAD TO FORMULATE A UNIQUE, HIGH-POWERED MEDIA STRATEGY --

A STRATEGY BASED ON AN ALL-ENVELOPING, MULTI-MEDIA

BLITZ -- AIMED AT A BROAD RANGE OF SMOKERS.

1002415508

Slow

THIS STRATEGY CALLED FOR A MAJOR COMMITMENT TO A  
HIGH LEVEL OF MEDIA INVESTMENT. WE WANTED TO MAKE  
SURE THAT A SMOKER WOULDN'T OPEN A MAGAZINE, DRIVE  
DOWN THE STREET, GO INTO A STORE, OR EVEN CATCH A  
CAB WITHOUT SEEING MERIT -- AND UNDERSTANDING WHAT  
IT HAD TO OFFER.

NEWSPAPERS AND MAGAZINES WOULD BE UTILIZED NATIONWIDE  
TO DELIVER OUR FULL PRODUCT STORY TO CONSUMERS.

WE WOULD USE MASSIVE OUTDOOR BILLBOARD DISPLAYS, SUBWAY  
SIGNS, TAXI-TOPS AND EXTERIOR BUS POSTERS, PRIMARILY  
TO GENERATE BRAND AWARENESS.

1002415509

EACH OF THESE HAD TO BE CREATED TO CONVEY THAT  
IMPORTANT "BREAKTHROUGH" FEELING, AS DID OUR MERIT  
POINT-OF-SALE DISPLAYS.

UTILIZING STRAIGHTFORWARD GRAPHICS, OUR DISPLAYS WERE  
DESIGNED TO GENERATE THE KIND OF VISIBILITY NEEDED TO  
GAIN A SPONTANEOUS RETAIL SALE. IN A SEA OF COLOR,  
MERIT IN-STORE ADVERTISING WOULD STAND OUT AND LOOK  
IMPORTANT.

(PAUSE)

FINALLY -- ALL THE ELEMENTS WERE IN PLACE FOR MARKET  
LAUNCH.

1002415510

CONVENTIONAL THINKING WOULD NOW CALL FOR A PERIOD OF  
TEST MARKETING TO GIVE US TIME TO EVALUATE OUR TOTAL  
PROGRAM.

BUT A BREAKTHROUGH PRODUCT REQUIRES BREAKTHROUGH  
THINKING. WE STRONGLY BELIEVED IN OUR NEW PRODUCT AND  
OUR COMPREHENSIVE MARKETING PLAN. SO WITH THE BOLDNESS  
CHARACTERISTIC OF OUR MARKETING STYLE, WE CHOSE NOT  
TO TEST MARKET BUT TO ACCEPT THE RISKS INHERENT IN A  
NATIONAL INTRODUCTION. WE KNEW THE COSTS WOULD BE  
GREAT -- BUT THE POTENTIAL RETURN EVEN GREATER.

ON JANUARY 5, 1976 -- MERIT WAS LAUNCHED NATIONALLY --  
AND CREATED CIGARETTE INDUSTRY HISTORY.

1002415511

FUELED BY A HEAVY BUDGET, MERIT EXPLODED IN THE  
MARKETPLACE.

50 MILLION PEOPLE SAW MERIT ADS EACH WEEK DURING THE  
INTRODUCTORY PERIOD.

EVEN IF PEOPLE DIDN'T HAVE TIME TO READ OUR ADS --

THEY CERTAINLY WERE AWARE OF MERIT FROM THE WEIGHT OF  
OUR MARKETING EFFORT.

EVERY ELEMENT REFLECTED MERIT'S IMPORTANCE.

PAUSE

IN ADDITION TO THIS ADVERTISING AND MERCHANDISING

BLITZ, WE EXPANDED OUR SALES FORCE TO PROVIDE US WITH  
EXTRA RETAIL COVERAGE.

1002415512

TO REINFORCE THEIR EXPERTISE, WE CREATED A SPECIAL  
PACKAGE OF SELLING TOOLS, TO PROVE TO THE TRADE THAT  
"MERIT" WARRANTED SHELF DISPLAY. THE RESULT -- MERIT  
REACHED THE SHELF IN RECORD TIME. WE ALSO REALIZED  
THAT OUR PROGRAM WOULD BE INCOMPLETE UNLESS WE  
DEVELOPED AN ELEMENT TO GUARANTEE CONSUMER TRIAL.

THIS CALLED FOR A VERY SPECIAL, CONSUMER SAMPLING  
PROGRAM. THIS WOULD ASSURE THAT CONSUMERS WOULD  
TRY OUR PRODUCT, EXPERIENCING FIRST HAND, THE REALITY  
OF ENRICHED FLAVOR TOBACCO.

1002415513

BY THE END OF 1976 WE HAD CONDUCTED THE LARGEST  
SAMPLING PROGRAM IN PHILIP MORRIS HISTORY, REACHING  
26 MILLION SMOKERS. A UNIQUE 6-PACK SAMPLING UNIT  
KEYED OUR SAMPLING EFFORT.

AND THERE'S MORE. MERIT RECEIVED OUTSTANDING PUBLICITY  
COVERAGE FROM SOME UNLIKELY SOURCES. TODAY, OUR R & D  
SCIENTISTS ARE STILL ASKED TO COMMENT ON OUR BREAKTHROUGH  
TECHNOLOGY -- WITH THEIR INTERVIEWS APPEARING IN  
NEWSPAPERS AND MAGAZINES ACROSS THE COUNTRY.

WHEN THE MERIT "WORD" BEGAN TO SPREAD, SOMETHING  
UNEXPECTED HAPPENED -- HUNDREDS OF UNSOLICITED LETTERS  
FROM SMOKERS FLOODED IN, THANKING PHILIP MORRIS FOR MERIT.

1002415514



WHAT BETTER ENDORSEMENT IS THERE THAN UNSOLICITED  
APPRECIATION FROM GENUINELY SATISFIED SMOKERS.

NEVER BEFORE HAS A BRAND GENERATED THIS KIND OF  
ENTHUSIASM AND REFLECTED THIS KIND OF EXCITEMENT.

FROM THE OUTSET WE HAD PLANNED TO INTRODUCE A  
100MM VERSION OF MERIT. SO, ENCOURAGED BY MANY  
LETTERS URGING US TO INTRODUCE A LONGER VERSION  
OF MERIT...WE DID.

1002415515

WE PATTERNED THE INTRODUCTION OF MERIT 100'S AFTER  
THE PHENOMENAL SUCCESS OF OUR ORIGINAL MERIT KING  
SIZE. AGAIN, WE TESTED MERIT 100'S AMONG THOUSANDS  
OF SMOKERS AND GOT VIRTUALLY THE SAME DRAMATIC  
RESULTS: MORE TASTE THAN ~~MANY~~ HIGHER TAR 100'S.

IN JANUARY, 1977, MERIT 100'S WERE INTRODUCED USING  
THE SAME HIGH-IMPACT FORMAT PIONEERED BY MERIT KINGS.  
THE RESULTS WERE JUST AS IMPRESSIVE. TODAY, MERIT  
AND MERIT 100'S ARE CONTINUING THE INCREDIBLE MERIT  
SUCCESS STORY. A BREAKTHROUGH STORY UNPARALLELED  
IN THE CIGARETTE INDUSTRY.

1002415516

AS YOU'VE SEEN, THE PRIMARY FOCUS OF MERIT  
ADVERTISING HAS BEEN ON THE NEWS OF THE MERIT  
BREAKTHROUGH. THE NEWS OF THE 'ENRICHED FLAVOR'  
TECHNOLOGY WHICH MADE MERIT KINGS AND 100'S POSSIBLE.  
FOLLOWING THE INTRODUCTION OF MERIT 100'S, THE BRAND'S  
ADVERTISING BEGAN REPORTING ON OTHER NEWS RESULTING  
FROM THE MERIT BREAKTHROUGH. THIS WAS NOT NEWS FROM  
THE LABORATORY BUT FRESH NEWS FROM THE MARKETPLACE.  
• NEWS THAT MERIT WAS A KEY FACTOR IN THE SMOKER MOVE  
TO LOW TAR.

1002415517

- NEWS THAT MERIT WAS ENDING THE SMOKER SEARCH FOR  
A GOOD TASTING - LOW TAR CIGARETTE.
- NEWS THAT OVER 75% OF ALL MERIT SMOKERS WERE COMING  
DIRECTLY FROM HIGH TAR CIGARETTES.
- NEWS THAT MERIT WAS HAVING A MAJOR IMPACT ON THE  
ENTIRE CIGARETTE MARKET.
- NEWS THAT, DESPITE THE LARGE NUMBER OF LOW TAR  
CIGARETTE INTRODUCTIONS, MERIT WAS STILL THE ONLY  
ONE WITH 'ENRICHED FLAVOR' TOBACCO.

1002415518

AND OF COURSE, WE CONTINUED TO REPORT THE MANY  
UNSOLICITED CONSUMER LETTERS PHILIP MORRIS WAS  
RECEIVING AND THE STORY OF THE BREAKTHROUGH IN  
TASTE TECHNOLOGY FOR LOW TAR SMOKING.

1977 RESULTED IN ANOTHER UNPRECEDENTED YEAR FOR  
MERIT. THE BRAND'S SHARE OF MARKET WAS 2.4% FOR THE  
YEAR AND VOLUME GREW MORE THAN THAT OF ANY BRAND IN  
THE INDUSTRY. MERIT CONTINUED TO BE THE BIG NEWS IN  
LOW TAR SMOKING.

TO FOCUS ON THE IMPACT THAT MERIT HAD ON THE CIGARETTE  
MARKET, WE CAPPED OFF THE YEAR WITH "THE MERIT REPORT."  
A THREE-PAGE AD IN MAGAZINES AND A TWO-PAGE SPREAD IN  
NEWSPAPERS THAT SUMMARIZED THE MERIT SUCCESS STORY.

1002415519

THE PURPOSE OF THIS AD WAS TO GIVE A TWO-YEAR STATUS  
REPORT ON THE MERIT BREAKTHROUGH IN LOW TAR SMOKING,  
IN A MANNER CONSISTENT WITH THE BRAND'S IMAGE. IT  
LOOKED AND FELT IMPORTANT, SERIOUS AND CREDIBLE.  
AND IT MADE MERIT LOOK BIG -- BECAUSE IN TWO YEARS  
MERIT HAD ACHIEVED MAJOR BRAND STATUS.

*Pause*

THAT BRINGS US TO 1978. BUT BEFORE I ADDRESS THE  
CHALLENGES OF 1978 AND HOW WE MET THEM, I'D LIKE TO  
BRIEFLY REVIEW HOW THE MARKET ENVIRONMENT CHANGED IN  
MERIT'S FIRST TWO YEARS.

1002415520

IMPORTANTLY, WE WERE REALIZING A DRAMATIC MOVE TO  
LOW TAR SMOKING. THE LOW TAR CATEGORY'S SHARE OF  
THE CIGARETTE INDUSTRY GREW FROM 12.7% IN JANUARY,  
1976, TO 27.8% IN JANUARY, 1978.

~~THE~~ PHENOMENAL GROWTH CAME FROM A COMBINATION OF  
NEW BRAND INTRODUCTIONS AND LINE EXTENTIONS. A TOTAL  
OF 15 IN TWO YEARS. INVOLVING 28 NEW PACKINGS FOR  
THE CATEGORY.

BY 1978, MOST MAJOR BRANDS HAD INTRODUCED A LOW TAR LINE  
EXTENSION IN AN EFFORT TO BROADEN THEIR APPEAL AND TO  
KEEP THEIR SMOKERS WHO WANTED LOW TAR.

1002415521

THAT MOVE BY THE MAJOR BRANDS MADE IT MORE DIFFICULT  
FOR THE NEW LOW TAR BRANDS TO GROW -- AND MAKES MERIT'S  
SUCCESS EVEN MORE IMPRESSIVE.

LOW TAR SPENDING ALSO INCREASED DRAMATICALLY DURING  
THIS PERIOD AS EACH COMPANY SCRAMBLED TO CAPTURE  
A SHARE OF THIS RAPIDLY GROWING SEGMENT.

IT'S CLEAR. MERIT FACED A HIGHLY COMPETITIVE  
ENVIRONMENT.

NOW LET ME TELL YOU ABOUT WHAT WE DID IN 1978 TO  
MAINTAIN MERIT'S GROWTH IN THIS ENVIRONMENT.

1002415522



SIMPLY PUT -- WE CONTINUED DOING WHAT HAD WORKED SO WELL FOR US: REPORTING THE NEWS OF THE MERIT BREAKTHROUGH. THIS APPROACH CONTINUED TO MAKE MERIT LOOK IMPORTANT, AND ESTABLISHED MERIT AS A LEADER IN THE LOW TAR CATEGORY.

*Howley*

WE BELIEVED THE KEY TO DOING THIS SUCCESSFULLY LAY IN OUR ABILITY TO KEEP THE NEWS FRESH. FRESH NEWS KEEPS THE ADVERTISING INTERESTING, PROVOCATIVE, AND ENABLES US TO CONTINUE USING IMPACTFUL LANGUAGE IN THE MERIT HEADLINES.

TO GENERATE FRESH NEWS IN 1978, WE CONDUCTED AN EXTENSIVE RESEARCH PROGRAM WITH BOTH HIGH TAR SMOKERS AND MERIT SMOKERS.

1002415523

WE CONSIDER HIGH TAR SMOKERS TO BE THE TOUGHEST  
TASTE CRITICS OF LOW TAR SMOKING -- THOSE MOST  
SKEPTICAL ABOUT GETTING GOOD TASTE IN A LOW TAR  
CIGARETTE. THEREFORE, WE DESIGNED THIS RESEARCH  
TO GET HIGH TAR SMOKERS' REACTIONS TO MERIT WITHOUT  
THEIR KNOWING IT WAS A LOW TAR. IN BLIND TASTE TESTS,  
WE ASKED THEM TO COMPARE MERIT TO THE LEADING HIGH  
TAR BRANDS.

*Slow* | THE RESULTS OF THE RESEARCH WERE STUNNING AND LED  
TO HEADLINES LIKE THESE. AS YOU CAN SEE, THE NEWS IS  
FRESH, THE LANGUAGE IS FRESH, THE LOOK IS FRESH, AND,  
IT SUPPORTS THE PREMISE THAT MERIT IS A TASTE BREAKTHROUGH  
IN LOW TAR SMOKING.

1002415524

THE RESEARCH CONDUCTED AMONG MERIT SMOKERS WAS  
DESIGNED TO GET THEIR REACTIONS TO SMOKING LOW TAR  
MERIT ON A LONG-TERM BASIS. IMPORTANTLY, THE VAST  
MAJORITY OF THESE SMOKERS WERE FORMER HIGH TAR  
SMOKERS, SO THEIR OPINIONS OF MERIT SHOULD BE OF  
INTEREST TO CURRENT HIGH TAR SMOKERS CONSIDERING  
A SWITCH TO LOW TAR. AS A YEAR-END WRAP-UP, WE  
AGAIN REPORTED ON THE ENRICHED FLAVOR CIGARETTE THAT  
WAS CHANGING LOW TAR SMOKING. AND, ADDITIONAL  
VARIETY WAS MAINTAINED WITH NEW "QUOTES" ADVERTISING.

WITH THIS APPROACH, HOW DID MERIT FARE IN 1978?

1002415525

WELL THE BRAND'S SUCCESS WAS EXTRAORDINARY!

MERIT'S 1978 VOLUME WAS MORE THAN 17.7 BILLION UNITS,

UP 24% FOR THE YEAR. INDUSTRY AUTHORITY, JOHN MAXWELL,

CALLED THE BRAND "PERHAPS THE MOST SUCCESSFUL NEW

BRAND EVER!" MAXWELL REPORTED MERIT'S 1978 SHARE

TO BE 2.9%.

THAT BRINGS US TO 1979. A YEAR IN WHICH THE MERIT

SURGE CONTINUED. MERIT VOLUME RAN 30% AHEAD OF

1978 AND IT PASSED VANTAGE TO BECOME THE LEADING

LOW TAR NATIONALLY.

1002415526

CLEARLY, THE MERIT SUCCESS STORY EXTENDS PAST ITS  
INTRODUCTORY YEARS. IF ANYTHING, THE BRAND'S  
PROGRESS IN 1978 AND 1979 WAS EVEN MORE IMPRESSIVE.

MORE IMPRESSIVE BECAUSE MERIT CONTINUED TO GROW  
DURING THAT TIME IN A BRAND'S LIFE CYCLE WHEN IT IS  
SO EASY FOR SALES TO FLATTEN OUT.

WE BELIEVE THIS IS FURTHER EVIDENCE THAT MERIT IS A  
BREAKTHROUGH IN EVERY SENSE OF THE WORD.

THE BREAKTHROUGH THINKING BEHIND MERIT IS BASIC TO  
SUCCESS AT PHILIP MORRIS, U.S.A.

1002415527

BACK IN 1962, PHILIP MORRIS WAS THE SMALLEST OF 6  
MAJOR CIGARETTE MANUFACTURERS. BY 1970, WE HAD JUMPED  
TO THE 4TH POSITION. SINCE THEN, DESPITE INTENSE  
COMPETITIVE PRESSURE, PHILIP MORRIS HAS SCORED SOME  
VERY IMPRESSIVE SUCCESSES. WE ARE NOW #2 IN THE UNITED  
STATES AND THE LARGEST U.S. COMPANY SELLING ABROAD.

- MARLBORO IS NOW THE #1 BRAND IN THE UNITED STATES AND  
THE WORLD.
- BENSON & HEDGES 100'S IS THE LEADING 100MM BRAND AND  
THE 7TH LARGEST SELLING BRAND IN THE UNITED STATES.
- VIRGINIA SLIMS IS THE LEADING BRAND MADE ESPECIALLY  
FOR WOMEN.

1002415528

- MERIT AND MERIT 100'S ARE OUR MOST RECENT MARKETING  
SUCCESSSES -- BUT THE CONCEPT BEHIND OUR APPROACH HAS  
REMAINED THE SAME.

WITH SUPERIOR PRODUCTS -- YOU USE SUPERIOR MARKETING  
TECHNIQUES.

MERIT IS AN EXAMPLE OF "BREAKTHROUGH" BEING JUST THE  
BEGINNING OF SUCCESS.

1002415529